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CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1839

**Introduced by Assembly Member Montanez
(Coauthor: Assembly Member Maddox)**

January 22, 2004

An act to amend Sections 2982 and 2982.5 of, and to add Sections 1793.27 and 2982.2 to, the Civil Code, and to amend Section 11709.2 of the Vehicle Code, relating to consumers.

LEGISLATIVE COUNSEL'S DIGEST

AB 1839, as amended, Montanez. Motor vehicle sale contracts: cooling off period.

Existing law governs motor vehicle conditional sale contracts, as defined. These provisions require sellers of motor vehicles to make certain disclosures to buyers, including that existing law does not provide for a “cooling off” period, or an opportunity for a purchaser to cancel the contract for any reason within a specified time period, with respect to a conditional sale contract for the purchase of a motor vehicle. A violation of these provisions is a misdemeanor.

This bill would enact the Car Buyer’s Bill of Rights. The bill would provide that purchasers of used or preowned cars may cancel the motor vehicle sale contract prior to midnight of the 3rd ~~business~~ day after the buyer signs the agreement or offer to purchase under specified conditions, or during a longer period set forth in the ~~sales~~ *sale* contract, as specified, and may obtain a refund from the seller, as defined. The bill would require the sale contract to contain a specified statement in that regard, and, as applicable to a new, used, and preowned motor vehicle sale contract, statements relating to credit scores and loans and aftermarket items, as specified. Because a violation of these provisions would be a misdemeanor, the bill would create a new crime, thereby imposing a state-mandated local program.

This bill would also define a “certified” used or preowned motor vehicle and prohibit a dealer from advertising or selling that vehicle as “certified,” or as described using similar terms to imply that the seller has inspected the vehicle and has corrected any defects found, unless it comes within that definition and meets specified criteria.

This bill would further provide with respect to a car loan, conditional sale contract, or any other mode of vehicle purchase financing, that the seller may charge the buyer a ~~fee or charge for assisting the buyer in arranging financing by a lender~~ *markup of the finance charge rate above the lowest rate for which the buyer qualifies*, if it meets specified criteria and the seller discloses the fee or charge, as specified. The bill would also make related changes with regard to disclosure of the cost of additional items purchased with the vehicle.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known and may be cited as the
- 2 “Car Buyer’s Bill of Rights.”
- 3 SEC. 2. Section 1793.27 is added to the Civil Code, to read:



1793.27. (a) A dealer, as defined in subdivision (h) of Section 1793.23, may not advertise or sell a used or preowned motor vehicle as a “certified” used or “certified” preowned motor vehicle, or any similar descriptive term that implies that the seller has inspected the vehicle for defects or has corrected any defects found, unless the motor vehicle satisfies the definition and meets the criteria set forth in ~~subdivision (c)~~ *this section*.

(b) In addition to any other remedies available under the law, the remedies set forth in Section 1794 apply to any violation of this section.

(c) *For purposes of this section, “one or more technicians qualified to inspect” means a technician or technicians who at the time of the inspection hold either or both of the following current certifications:*

(1) Automotive Service Excellence (ASE) master technician for all mechanical systems.

(2) Interindustry Conference on Auto Collision Repair (ICAR).

(d) For purposes of this section, a “certified” used or preowned motor vehicle means a used or preowned motor vehicle built to United States standards that has been inspected by ~~an ASE certified technician~~ *one or more technicians* qualified to inspect for collision repair and mechanical condition prior to sale and that meets all of the following criteria:

~~(1) The motor vehicle has not sustained material damage, as defined in Section 9990 of the Vehicle Code.~~

(1) The motor vehicle has not sustained any of the following:

(A) Damage requiring repairs having a value, including parts and labor calculated at the repairer’s cost, exceeding 3 percent of the retail bluebook value of the vehicle. This damage calculation shall exclude the replacement of damaged or stolen components, except for the cost of repainting or refinishing those components if replaced by the installation of new original manufacturer’s equipment, parts, or accessories that are bolted or otherwise attached as a unit to the vehicle, including, but not limited to, the hood, bumpers, fenders, mechanical parts, instrument panels, moldings, glass, tires, wheels, and electronic instruments, but shall include any damage having a cumulative repair or replacement value that exceeds 10 percent of the retail bluebook price of the vehicle.

(B) Damage to the frame or drive train of the motor vehicle.

1 (C) *Damage that occurred in connection with a theft of the*
2 *entire vehicle.*

3 (D) *Damage to the suspension of the vehicle requiring repairs*
4 *other than wheel balancing or alignment.*

5 (2) The odometer on the vehicle has not been rolled back.

6 (3) The vehicle has not been repurchased by a dealer or
7 manufacturer pursuant to a state or federal warranty statute.

8 (4) The title to the vehicle has not been inscribed with the
9 notation “Lemon Law Buyback,” “manufacturer repurchase,”
10 “salvage,” “junk,” “nonrepairable,” “flood,” or similar
11 designation.;

12 (5) *The vehicle has undergone inspection of all features*
13 *designed or necessary to protect the safety of the occupants and*
14 *operator of the vehicle, the vehicle is still under the original*
15 *manufacturer’s warranty or the seller provides a full express*
16 *warranty of at least 12 months in duration, and at least one of the*
17 *following conditions is met:*

18 (A) The vehicle has been certified *by a licensed auto dealer*
19 *pursuant to a certified used or certified preowned vehicle program*
20 *under which the original equipment manufacturer, licensed as a*
21 *vehicle manufacturer or distributor under California law, has*
22 *established criteria and requirements for vehicles to be included in*
23 *its certified used or certified preowned program.*

24 ~~(B) The vehicle has been inspected by an ASE technician~~
25 ~~certified to inspect for mechanical condition, including all features~~
26 ~~designed or necessary to protect the safety of the occupants and~~
27 ~~operator of the vehicle, and the vehicle is still under the original~~
28 ~~manufacturer’s warranty or is covered by an extended power train~~
29 ~~warranty.~~

30 ~~(C)–~~

31 (B) The vehicle has undergone an inspection and
32 reconditioning program adopted by the licensee, and the program
33 is disclosed by the licensee by being displayed on the licensee’s
34 Web site, if applicable, by being posted conspicuously in the
35 licensee’s dealership premises, and by being presented to the
36 customer in writing prior to the conclusion of the purchase
37 transaction involving the motor vehicle.

38 SEC. 3. Section 2982 of the Civil Code is amended to read:

39 2982. Every conditional sale contract subject to this chapter
40 shall contain the disclosures required by Regulation Z, whether or

1 not Regulation Z applies to the transaction. In addition, to the
2 extent applicable, the contract shall contain the other disclosures
3 and notices required by, and shall satisfy the requirements and
4 limitations of, this section. The disclosures required by
5 subdivision (a) may be itemized or subtotaled to a greater extent
6 than as required by that subdivision, and shall be made together
7 and in the sequence set forth in that subdivision. All other
8 disclosures and notices may appear in the contract in any location
9 or sequence and may be combined or interspersed with other
10 provisions of the contract.

11 (a) The contract shall contain the following disclosures, as
12 applicable, which shall be labeled “itemization of the amount
13 financed”:

14 (1) (A) The cash price, exclusive of document preparation
15 fees, taxes imposed on the sale, pollution control certification fees,
16 prior credit or lease balance on property being traded in, and the
17 amount charged for a service contract.

18 (B) The fee to be retained by the seller for document
19 preparation.

20 (C) The fee charged by the seller for certifying that the motor
21 vehicle complies with applicable pollution control requirements.

22 (D) Taxes imposed on the sale.

23 (E) The amount of any optional business partnership
24 automation fee to register or transfer the vehicle, which shall be
25 labeled “Optional DMV Electronic Filing Fee.”

26 (F) The amount charged for a service contract.

27 (G) The prior credit or lease balance remaining on property
28 being traded in, as required by paragraph (6). The disclosure
29 required by this subparagraph shall be labeled “prior credit or
30 lease balance (see downpayment and trade-in calculation).”

31 (H) Any charge for an optional debt cancellation agreement.

32 (I) The total cash price, which is the sum of subparagraphs (A)
33 to (H), inclusive.

34 (2) Amounts paid to public officials for all of the following:

35 (A) Vehicle license fees.

36 (B) Registration, transfer, and titling fees.

37 (C) California tire fees imposed pursuant to Section 42885 of
38 the Public Resources Code.

39 (3) The aggregate amount of premiums agreed, upon execution
40 of the contract, to be paid for policies of insurance included in the

1 contract, excluding the amount of any insurance premium
2 included in the finance charge.

3 (4) The amount of the state fee for issuance of a certificate of
4 compliance, noncompliance, exemption, or waiver pursuant to
5 any applicable pollution control statute.

6 (5) A subtotal representing the sum of the foregoing items.

7 (6) The amount of the buyer's downpayment itemized to show
8 all of the following, as applicable:

9 (A) The agreed value of the property being traded in.

10 (B) The prior credit or lease balance, if any, owing on the
11 property being traded in.

12 (C) The net agreed value of the property being traded in, which
13 is the difference between the amounts disclosed in subparagraphs
14 (A) and (B). If the prior credit or lease balance of the property
15 being traded in exceeds the agreed value of the property, a negative
16 number shall be stated.

17 (D) The amount of any portion of the downpayment to be
18 deferred until not later than the due date of the second regularly
19 scheduled installment under the contract and which is not subject
20 to a finance charge.

21 (E) The amount of any manufacturer's rebate applied or to be
22 applied to the downpayment.

23 (F) The remaining amount paid or to be paid by the buyer as a
24 downpayment.

25 (G) The total downpayment. If the sum of subparagraphs (C)
26 to (F), inclusive, is zero or more, that sum shall be stated as the total
27 downpayment and no amount shall be stated as the prior credit or
28 lease balance under subparagraph (G) of paragraph (1). If the sum
29 of subparagraphs (C) to (F), inclusive, is less than zero, then that
30 sum, expressed as a positive number, shall be stated as the prior
31 credit or lease balance under subparagraph (G) of paragraph (1),
32 and zero shall be stated as the total downpayment. The disclosure
33 required by this subparagraph shall be labeled "total
34 downpayment" and shall contain a descriptor indicating that if the
35 total downpayment is a negative number, a zero shall be disclosed
36 as the total downpayment and a reference made that the remainder
37 shall be included in the disclosure required pursuant to
38 subparagraph (G) of paragraph (1).

39 (7) The amount of any administrative finance charge, labeled
40 "prepaid finance charge."

(8) The difference between item (5) and the sum of items (6) and (7), labeled “amount financed.”

(b) No particular terminology is required to disclose the items set forth in subdivision (a) except as expressly provided in that subdivision.

(c) If payment of all or a portion of the downpayment is to be deferred, the deferred payment shall be reflected in the payment schedule disclosed pursuant to Regulation Z.

(d) If the downpayment includes property being traded in, the contract shall contain a brief description of that property.

(e) The contract shall contain the names and addresses of all persons to whom the notice required under Section 2983.2 and permitted under Sections 2983.5 and 2984 is to be sent.

(f) (1) If the contract includes a finance charge determined on the precomputed basis, the contract shall identify the method of computing the unearned portion of the finance charge in the event of prepayment in full of the buyer’s obligation and contain a statement of the amount or method of computation of any charge that may be deducted from the amount of any unearned finance charge in computing the amount that will be credited to the obligation or refunded to the buyer. The method of computing the unearned portion of the finance charge shall be sufficiently identified with a reference to the actuarial method if the computation will be under that method. The method of computing the unearned portion of the finance charge shall be sufficiently identified with a reference to the Rule of 78’s, the sum of the digits, or the sum of the periodic time balances method in all other cases, and those references shall be deemed to be equivalent for disclosure purposes.

(2) If the contract includes a finance charge which is determined on the simple-interest basis but provides for a minimum finance charge in the event of prepayment in full, the contract shall contain a statement of that fact and the amount of the minimum finance charge or its method of calculation.

(g) (1) If the contract includes a finance charge which is determined on the precomputed basis and provides that the unearned portion of the finance charge to be refunded upon full prepayment of the contract is to be determined by a method other than actuarial, the contract shall contain a notice, in at least 10-point boldface type if the contract is printed, reading as

1 follows: “Notice to buyer: (1) Do not sign this agreement before
2 you read it or if it contains any blank spaces to be filled in. (2) You
3 are entitled to a completely filled-in copy of this agreement. (3)
4 You can prepay the full amount due under this agreement at any
5 time and obtain a partial refund of the finance charge if it is one
6 dollar (\$1) or more. Because of the way the amount of this refund
7 will be figured, the time when you prepay could increase the
8 ultimate cost of credit under this agreement. (4) If you default in
9 the performance of your obligations under this agreement, the
10 vehicle may be repossessed and you may be subject to suit and
11 liability for the unpaid indebtedness evidenced by this
12 agreement.”

13 (2) If the contract includes a finance charge which is
14 determined on the precomputed basis and provides for the
15 actuarial method for computing the unearned portion of the
16 finance charge upon prepayment in full, the contract shall contain
17 a notice, in at least 10-point boldface type if the contract is printed,
18 reading as follows: “Notice to buyer: (1) Do not sign this
19 agreement before you read it or if it contains any blank spaces to
20 be filled in. (2) You are entitled to a completely filled-in copy of
21 this agreement. (3) You can prepay the full amount due under this
22 agreement at any time and obtain a partial refund of the finance
23 charge if it is one dollar (\$1) or more. (4) If you default in the
24 performance of your obligations under this agreement, the vehicle
25 may be repossessed and you may be subject to suit and liability for
26 the unpaid indebtedness evidenced by this agreement.”

27 (3) If the contract includes a finance charge which is
28 determined on the simple-interest basis, the contract shall contain
29 a notice, in at least 10-point boldface type if the contract is printed,
30 reading as follows: “Notice to buyer: (1) Do not sign this
31 agreement before you read it or if it contains any blank spaces to
32 be filled in. (2) You are entitled to a completely filled-in copy of
33 this agreement. (3) You can prepay the full amount due under this
34 agreement at any time. (4) If you default in the performance of
35 your obligations under this agreement, the vehicle may be
36 repossessed and you may be subject to suit and liability for the
37 unpaid indebtedness evidenced by this agreement.”

38 (h) The contract shall contain a notice in at least 8-point
39 boldface type, acknowledged by the buyer, that reads as follows:
40



1 “If you have a complaint concerning this sale, you should try
2 to resolve it with the seller.

3 Complaints concerning unfair or deceptive practices or methods
4 by the seller may be referred to the city attorney, the district
5 attorney, or an investigator for the Department of Motor Vehicles,
6 or any combination thereof.

7 After this contract is signed, the seller may not change the
8 financing or payment terms unless you agree in writing to the
9 change. You do not have to agree to any change, and it is an unfair
10 or deceptive practice for the seller to make a unilateral change.

11
12 _____
13 Buyer’s Signature”
14

15 (i) (1) The contract shall contain an itemization of any
16 insurance included as part of the amount financed disclosed
17 pursuant to paragraph (3) of subdivision (a) and of any insurance
18 included as part of the finance charge. The itemization shall
19 identify the type of insurance coverage and the premium charged
20 therefor, and, if the insurance expires before the date of the last
21 scheduled installment included in the repayment schedule, the
22 term of the insurance shall be stated.

23 (2) If any charge for insurance, other than for credit life or
24 disability, is included in the contract balance and disbursement of
25 any part thereof is to be made more than one year after the date of
26 the conditional sale contract, any finance charge on the amount to
27 be disbursed after one year shall be computed from the month the
28 disbursement is to be made to the due date of the last installment
29 under the conditional sale contract.

30 (j) (1) Except for contracts in which the finance charge or
31 portion thereof is determined by the simple-interest basis and the
32 amount financed disclosed pursuant to paragraph (8) of
33 subdivision (a) is more than two thousand five hundred dollars
34 (\$2,500), the dollar amount of the disclosed finance charge may
35 not exceed the greater of:

36 (A) (i) One and one-half percent on so much of the unpaid
37 balance as does not exceed two hundred twenty-five dollars
38 (\$225), $1\frac{1}{6}$ percent on so much of the unpaid balance in excess of
39 two hundred twenty-five dollars (\$225) as does not exceed nine
40 hundred dollars (\$900) and five-sixths of 1 percent on so much of

1 the unpaid balance in excess of nine hundred dollars (\$900) as does
2 not exceed two thousand five hundred dollars (\$2,500); or
3 (ii) One percent of the entire unpaid balance; multiplied in
4 either case by the number of months (computed on the basis of a
5 full month for any fractional month period in excess of 15 days)
6 elapsing between the date of the contract and the due date of the
7 last installment; or
8 (B) If the finance charge is determined by the precomputed
9 basis, twenty-five dollars (\$25); or
10 (C) If the finance charge or a portion thereof is determined by
11 the simple-interest basis:
12 (i) Twenty-five dollars (\$25) if the unpaid balance does not
13 exceed one thousand dollars (\$1,000).
14 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
15 thousand dollars (\$1,000) but does not exceed two thousand
16 dollars (\$2,000).
17 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
18 two thousand dollars (\$2,000).
19 (2) The holder of the contract may not charge, collect, or
20 receive a finance charge which exceeds the disclosed finance
21 charge, except to the extent (A) caused by the holder's receipt of
22 one or more payments under a contract which provides for
23 determination of the finance charge or a portion thereof on the
24 365-day basis at a time or times other than as originally scheduled
25 whether or not the parties enter into an agreement pursuant to
26 Section 2982.3, (B) permitted by paragraph (2), (3), or (4) of
27 subdivision (c) of Section 226.17 of Regulation Z, or (C) permitted
28 by subdivisions (a) and (c) of Section 2982.8.
29 (3) If the finance charge or a portion thereof is determined by
30 the simple-interest basis and the amount of the unpaid balance
31 exceeds five thousand dollars (\$5,000), the holder of the contract
32 may, in lieu of its right to a minimum finance charge under
33 subparagraph (C) of paragraph (1), charge, receive, or collect on
34 the date of the contract an administrative finance charge not to
35 exceed seventy-five dollars (\$75), provided that the sum of the
36 administrative finance charge and the portion of the finance charge
37 determined by the simple-interest basis shall not exceed the
38 maximum total finance charge permitted by subparagraph (A) of
39 paragraph (1). Any administrative finance charge which is

1 charged, received, or collected by a holder shall be deemed a
2 finance charge earned on the date of the contract.

3 (4) If a contract provides for unequal or irregular payments, or
4 payments on other than a monthly basis, the maximum finance
5 charge shall be at the effective rate provided for in paragraph (1),
6 having due regard for the schedule of installments.

7 (k) The contract may provide that for each installment in
8 default for a period of not less than 10 days the buyer shall pay a
9 delinquency charge in an amount not to exceed in the aggregate 5
10 percent of the delinquent installment, which amount may be
11 collected only once on any installment regardless of the period
12 during which it remains in default. Payments timely received by
13 the seller under an extension or deferral agreement may not be
14 subject to a delinquency charge unless the charge is permitted by
15 Section 2982.3. The contract may provide for reasonable
16 collection costs and fees in the event of delinquency.

17 (l) Notwithstanding any provision of a contract to the contrary,
18 the buyer may pay at any time before maturity the entire
19 indebtedness evidenced by the contract without penalty. In the
20 event of prepayment in full, all of the following apply, as
21 applicable:

22 (1) If the finance charge was determined on the precomputed
23 basis, the amount required to prepay the contract shall be the
24 outstanding contract balance as of that date, provided, however,
25 that the buyer shall be entitled to a refund credit in the amount of
26 the unearned portion of the finance charge, except as provided in
27 paragraphs (3) and (4). The amount of the unearned portion of the
28 finance charge shall be at least as great a proportion of the finance
29 charge, including any additional finance charge imposed pursuant
30 to Section 2982.8 or other additional charge imposed because the
31 contract has been extended, deferred, or refinanced, as the sum of
32 the periodic monthly time balances payable more than 15 days
33 after the date of prepayment bears to the sum of all the periodic
34 monthly time balances under the schedule of installments in the
35 contract or, if the contract has been extended, deferred, or
36 refinanced, as so extended, deferred, or refinanced. If the amount
37 of the refund credit is less than one dollar (\$1), no refund credit
38 need be made by the holder. Any refund credit may be made in cash
39 or credited to the outstanding obligations of the buyer under the
40 contract.

(2) If the finance charge or a portion thereof was determined on the simple-interest basis, the amount required to prepay the contract shall be the outstanding contract balance as of that date, including any earned finance charges which are unpaid as of that date and, if applicable, the amount provided in paragraph (3), and provided further that in cases where a finance charge is determined on the ~~360-day~~ 365-day basis, the payments theretofore received will be assumed to have been received on their respective due dates regardless of the actual dates on which the payments were received.

(3) Where the minimum finance charge provided by subparagraph (B) or subparagraph (C) of paragraph (1) of subdivision (j), if either is applicable, is greater than the earned finance charge as of the date of prepayment, the holder shall be additionally entitled to the difference.

(4) The provisions of this subdivision may not impair the right of the seller or the seller's assignee to receive delinquency charges on delinquent installments and reasonable costs and fees as provided in subdivision (k) or extension or deferral agreement charges as provided in Section 2982.3.

(5) Notwithstanding any provision of a contract to the contrary, whenever the indebtedness created by any contract is satisfied prior to its maturity through surrender of the motor vehicle, repossession of the motor vehicle, redemption of the motor vehicle after repossession, or any judgment, the outstanding obligation of the buyer shall be determined as provided in paragraph (1) or (2). Notwithstanding, the buyer's outstanding obligation shall be computed by the holder as of the date the holder recovers the value of the motor vehicle through disposition thereof or judgment is entered or, if the holder elects to keep the motor vehicle in satisfaction of the buyer's indebtedness, as of the date the holder takes possession of the motor vehicle.

(m) Notwithstanding any other provision of this chapter to the contrary, any information required to be disclosed in a conditional sale contract under this chapter may be disclosed in any manner, method, or terminology required or permitted under Regulation Z, as in effect at the time that disclosure is made, except as permitted by paragraph (2) of subdivision (c) of Section 226.18 of Regulation Z, provided that all of the requirements and limitations set forth in subdivision (a) of this section are satisfied. This chapter

does not prohibit the disclosure in that contract of additional information required or permitted under Regulation Z, as in effect at the time that disclosure is made.

(n) If the seller imposes a fee for document preparation, the contract shall contain a disclosure that the fee is not a governmental fee.

(o) A seller may not impose an application fee for a transaction governed by this chapter.

(p) The seller or holder may charge and collect a fee not to exceed fifteen dollars (\$15) for the return by a depository institution of a dishonored check, negotiated order of withdrawal, or share draft issued in connection with the contract, if the contract so provides or if the contract contains a generalized statement that the buyer may be liable for collection costs incurred in connection with the contract.

(q) The contract shall disclose on its face, by printing the word “new” or “used” within a box outlined in red, that is not smaller than one-half inch high and one-half inch wide, whether the vehicle is sold as a new vehicle, as defined in Section 430 of the Vehicle Code, or a used vehicle, as defined in Section 665 of the Vehicle Code.

(r) The contract shall contain a notice with a heading in at least 12-point bold type and the text in at least 10-point bold type, circumscribed by a line, immediately above the contract signature line, that reads as follows:

**THERE IS NO COOLING OFF PERIOD
FOR SALES OF NEW VEHICLES**

California law does not provide for a “cooling off” or other cancellation period for sales of new vehicles. Therefore, you cannot later cancel this contract simply because you ~~change your mind, decide the vehicle costs too much, or wish you had~~ *changed your mind, decided the vehicle cost too much, or wished you had* acquired a different vehicle. After you sign below, you may only cancel this contract with the agreement of the seller or for legal cause, such as fraud.

SEC. 4. Section 2982.2 is added to the Civil Code, to read:

2982.2. (a) (1) Notwithstanding Section 2982 or any other provision of law, the buyer of any used or preowned motor vehicle has the right to cancel a motor vehicle sale contract, including a conditional sale contract as defined in Section 2982, until the later of, (A) midnight of the third ~~business~~ day after the day on which the buyer signs an agreement or offer to purchase, provided that the vehicle is not a consignment sale, *the vehicle is not a recreation vehicle as defined in Section 18215.5 of the Health and Safety Code*, the mileage on the vehicle at the time of the return does not exceed the mileage at delivery by more than ~~750~~ 250 miles, and the vehicle has not been damaged ~~in a motor vehicle accident as described in Section 1793.27~~; or, (B) a longer period as specified in the ~~sales~~ sale contract, so long as the contract does not impose any ~~conditions that are stricter than the consignment sales, mileage, and damage conditions~~ *conditions that are more restrictive than those set forth in subparagraph (A)*.

~~(2) Cancellation occurs when the buyer gives written notice of~~
(2) *The buyer shall give written notice of cancellation to the seller at the address specified in the contract within the applicable timeframe set forth in subdivision (a). To complete the cancellation, the buyer must return the motor vehicle, in substantially as good condition as when received, to the seller in substantially the same condition as on the day the agreement or offer to purchase was signed, excluding normal wear and tear, to the seller at the seller's place of business within 24 hours of providing written notice of termination. A used motor vehicle that is returned with damage sustained as a result of a defect existing at the time of sale shall be deemed to be "in substantially as good condition as when received" for the purposes of this section.*

(3) Notice of cancellation, if given by mail, is effective when ~~deposited in the mail postmarked by the United States Postal Service~~ properly addressed with postage prepaid.

(4) Notice of cancellation given by the buyer need not take any particular form, as long as it is written, and, however expressed, is effective if it indicates the intention of the buyer not to be bound by the motor vehicle conditional sale contract.

~~(5) If the buyer elects to cancel the contract pursuant to subdivision (a), the buyer shall pay to the dealer 2.5 percent of the purchase price or two hundred dollars (\$200), whichever is less, if the vehicle is free of mechanical or structural defects. If the~~

~~vehicle is mechanically or structurally defective, then a fee may not be charged for the return.~~

~~(6) If the vehicle is a recreational vehicle, as defined in Section 18215.5 of the Health and Safety Code, and the buyer elects to cancel the contract pursuant to subdivision (a), the buyer shall pay the dealer an inspection and reconditioning fee of up to six hundred dollars (\$600) to cover the costs of inspecting and reconditioning the recreational vehicle, and shall return the vehicle with the same amount of prepaid fuel provided at the time of sale.~~

~~(7)~~

(5) (A) The buyer is responsible for reasonable reimbursement to the dealer of any nonsubstantial damage occurring during the buyer's ~~ownership~~ possession of the vehicle, such as stains, scratches, or missing parts or accessories. *This reimbursement, if applicable, shall be provided when the vehicle is returned, and cancellation of the contract shall not be deemed completed unless this reimbursement is deducted from any refund due to the buyer or until the reimbursement is provided to the seller.*

(B) Cancellation of the contract is completed when the buyer receives a full refund from the seller; less all of the following mandatory deductions:

(i) A reasonable offset for mileage added to the odometer after purchase. "A reasonable offset for mileage added to the odometer after purchase" means the sum of the purchase price of the motor vehicle, divided by 120,000 miles, multiplied by the number of miles added to the odometer after purchase.

(ii) A restocking fee of 2.5 percent of the purchase price or two hundred dollars (\$200), whichever is less, as long as the vehicle was free of mechanical or structural defects at the time of sale. If the vehicle was mechanically or structurally defective at the time of sale, then a fee may not be charged for the return.

(iii) Reasonable reimbursement to the dealer for any nonsubstantial damage occurring during the buyer's possession of the vehicle, such as stains, scratches, or missing parts or accessories.

(b) Upon completion of cancellation of the contract, the buyer is entitled to a full refund from the seller minus a reasonable offset for mileage added to the odometer after purchase. "A reasonable offset for mileage added to the odometer after purchase" means the sum of the purchase price of the motor vehicle, divided by

1 120,000 miles, multiplied by the number of miles added to the
2 odometer after purchase.

3 (c) A motor vehicle sale contract, including a conditional sale
4 contract, for the sale of a used or preowned motor vehicle, *except*
5 *a recreational vehicle as defined in Section 18215.5 of the Health*
6 *and Safety Code*, shall contain in immediate proximity to the space
7 reserved for the buyer's signature, a conspicuous statement,
8 written in the same language as that principally used in the oral
9 sales presentation, in a size equal to at least 10-point boldface type,
10 reading as follows: ~~“You~~ *“If this purchase is for a preowned or*
11 *used vehicle, you*, the buyer, may cancel this transaction at any
12 time prior to midnight of the third business day after the date of this
13 transaction by providing written notice of cancellation to the seller
14 at _____ [seller's address]. Notice of cancellation, if given
15 by mail, is effective when deposited in the mail properly addressed
16 with postage prepaid *and postmarked by the United States Postal*
17 *Service*. The notice of cancellation need not take any particular
18 form, as long as it is written and it indicates your intention to cancel
19 this transaction. You must complete the cancellation by returning
20 the car, in substantially as good condition as when received, to the
21 seller at _____ [seller's place of business] within 24 hours
22 of providing written notice that you intend to cancel this
23 transaction.”

24 (d) If the seller of a motor vehicle arranges a loan, arranges
25 financing, makes a credit sale, sells *or otherwise transfers* a
26 conditional sale contract, or makes a similar transaction for the
27 buyer, the seller shall disclose the buyer's credit score, as defined
28 in Section 1785.15.1, and the lowest ~~interest~~ *finance charge* rate
29 from the lender for which the buyer qualifies. The seller shall
30 include this disclosure in the contract, written in the same language
31 as that used in the contract, in at least 10-point boldface type,
32 reading as follows: “Notice to buyer: (1) Your credit score *used*
33 *to evaluate your credit history for this purchase*, as calculated by
34 _____, is _____. (2) The lowest ~~interest~~ *finance charge* rate from the
35 lender for which you qualify is _____%.”

36 ~~(e) The seller may charge the buyer an amount that will be~~
37 ~~imposed as a fee or charge for assisting the buyer with the~~
38 ~~arrangement of financing by a lender for the purchase of a motor~~
39 ~~vehicle. This fee or charge may be imposed only if the buyer~~
40 ~~accepts the financing arranged, and may not exceed the cost~~

1 incurred by the seller in assisting a buyer to acquire financing for
2 a motor vehicle.

3 (1) Any seller that assists the buyer of a motor vehicle to obtain
4 financing by a lender shall provide the buyer with a disclosure of
5 any fee or other charge imposed on the buyer for assisting in the
6 arrangement of financing for the purchase of a motor vehicle.

7 (2) Disclosure of the fee or charge shall be provided to the
8 buyer both verbally and in writing prior to any actions by the seller
9 to arrange financing for the purchase of a motor vehicle.

10 (3) The seller shall set an amount for the fee or charge, and
11 maintain that amount for the fee or charge for a minimum of 30
12 calendar days. The seller may change or adjust that dollar amount
13 every 30 calendar days.

14 (4) The seller shall apply the dollar amount for the fee or charge
15 uniformly to all buyers.

16 (e) Any markup of the finance charge rate by the seller above
17 the lowest rate for which a buyer qualifies, as described in
18 subdivision (d), shall be uniform for all buyers within any calendar
19 month in which purchases occur. For the purpose of this
20 subdivision, a "markup" includes any arrangement between the
21 seller and an assignee for the sharing, rebate, or apportionment
22 of finance charges received under a conditional sales contract.
23 Nothing in this section shall be interpreted to require a seller to
24 impose any such fee or charge.

25 (f) If the seller of a motor vehicle arranges a loan, arranges
26 financing, makes a credit sale, sells *or otherwise transfers* a
27 conditional sale contract, or makes a similar transaction for the
28 buyer and the purchase or lease includes the sale of additional
29 protections, services, or other items, such as an extended warranty,
30 a service contract, fabric protection, an alarm, or a vehicle theft
31 product, the seller shall disclose in the contract, written in the same
32 language as that used in the contract, in at least 10-point boldface
33 type, reading as follows: "Notice to the buyer: (1) You have agreed
34 to purchase the following additional item: _____. (2) The price of
35 this item if you pay cash is: \$_____. (3) The actual monthly cost to
36 finance this item is: \$_____/month, and the total cost for this item
37 over the life of the ~~loan~~ *credit agreement* is: \$_____."

38 (g) For the purposes of this section, "seller" means a person
39 engaged in the business of selling or leasing motor vehicles under
40 any motor vehicle sale contract, including a conditional sale

1 contract. “Seller” does not include a private individual who is not
2 required to be licensed to sell vehicles in California.

3 SEC. 5. Section 2982.5 of the Civil Code is amended to read:

4 2982.5. (a) This chapter may not be deemed to affect a loan,
5 or the security therefor, between a purchaser of a motor vehicle and
6 a supervised financial organization, other than the seller of the
7 motor vehicle, all or a portion of which loan is used in connection
8 with the purchase of a motor vehicle. As used in this chapter,
9 “supervised financial organization” means a person organized,
10 chartered, or holding a license or authorization certificate under a
11 law of this state or the United States to make loans and subject to
12 supervision by an official or agency of this state or the United
13 States.

14 (b) This chapter may not be deemed to prohibit the seller’s
15 assisting the buyer in obtaining a loan upon any security from any
16 third party to be used as a part or all of the downpayment or any
17 other payment on a conditional sale contract or purchase order;
18 provided that the conditional sale contract sets forth on its face the
19 amount of the loan, the finance charge, the total thereof, the
20 number of installments scheduled to repay the loan and the amount
21 of each installment, that the buyer may be required to pledge
22 security for the loan, which security shall be mutually agreed to by
23 the buyer and the lender and notice to the buyer in at least 8-point
24 type that he or she is obligated for the installment payments on both
25 the conditional sale contract and the loan. The seller may not
26 provide any security or other guarantee of payment on the loan, nor
27 shall the seller receive any commission or other remuneration for
28 assisting the buyer to obtain the loan. If the buyer obligates himself
29 or herself to purchase, or receives possession of, the motor vehicle
30 prior to securing the loan, and if the buyer upon appropriate
31 application for the loan is unable to secure the loan, on the
32 conditions stated in the conditional sale contract, the conditional
33 sale contract or purchase order shall be deemed rescinded and all
34 consideration thereupon shall be returned by the respective parties
35 without demand.

36 (c) The proceeds of any loan payable to the seller after the date
37 of the contract but prior to the due date of the second payment
38 otherwise scheduled thereunder may not be subject to a finance
39 charge and the amount thereof shall be disclosed pursuant to

1 subparagraph (D) of paragraph (6) of subdivision (a) of Section
2 2982.

3 (d) This chapter may not be deemed to prohibit the seller's
4 assisting the buyer in obtaining a loan from any third party to be
5 used to pay for the full purchase price, or any part thereof, of a
6 motor vehicle, if each of the following provisions applies:

7 (1) The loan may be upon any security, but except as provided
8 in paragraph (2), the loan may not be secured in whole or in part
9 by a lien on real property. Any lien on real property taken in
10 violation of this section shall be void and unenforceable.

11 (2) A lien on real property may be taken to secure a loan of
12 seven thousand five hundred dollars (\$7,500) or more used to pay
13 the full purchase price, or any part thereof, of a recreational
14 vehicle, as defined in Section 18010 of the Health and Safety
15 Code, which is not less than 20 feet in length.

16 (3) The provisions of Sections 2983.2, 2983.3, and 2984.4
17 shall apply to the loan, but may not authorize the lender or the
18 lender's successor in interest to charge for any costs, fees, or
19 expenses or to obtain any other benefit which the lender is
20 prohibited from charging or obtaining under any regulatory law
21 applicable to the lender. Notwithstanding this paragraph, the
22 provisions of Sections 2983.2 and 2983.3 may not apply to a loan
23 made by a lender licensed under Division 9 (commencing with
24 Section 22000) or Division 10 (commencing with Section 24000)
25 of the Financial Code.

26 (4) The lender or the lender's successor in interest shall be
27 subject to all claims and defenses which the buyer could assert
28 against the seller, but liability may not exceed the amount of the
29 loan.

30 (5) If the buyer becomes obligated to purchase, or receives
31 possession of, the motor vehicle prior to obtaining the loan, the
32 agreement between the buyer and the seller shall set forth on its
33 face the amount of the loan, the finance charge, the total thereof,
34 the number of installments scheduled to repay the loan and the
35 amount of each installment, that the buyer may be required to
36 pledge security for the loan, which security must be mutually
37 agreed to by the buyer and the lender, and notice to the buyer in at
38 least 8-point type that the buyer is obligated for the installment
39 payments on the loan and for any payments which may be due on
40 the agreement between the buyer and the seller. The seller may not

1 provide any security or other guarantee of payment on the loan,
2 and the seller may not receive any commission, ~~up charge, dealer~~
3 ~~reserve~~, or other remuneration for assisting the buyer to obtain the
4 ~~loan or for arranging financing or making a credit sale or similar~~
5 ~~transaction~~ loan. If the buyer upon proper application for the loan
6 is unable to obtain the loan, on the condition stated in the
7 agreement between the buyer and the seller, the agreement shall be
8 deemed rescinded and all consideration thereupon shall be
9 returned by the respective parties without demand.

10 (6) Any waiver by the buyer of the provisions of this section
11 shall be void and unenforceable.

12 This subdivision does not apply to state or federally chartered
13 banks and savings and loan associations and may not be construed
14 to affect existing law regarding a seller's assisting a buyer to obtain
15 a loan from a bank or savings and loan association or any loan
16 obtained by the buyer from those lenders.

17 SEC. 6. Section 11709.2 of the Vehicle Code is amended to
18 read:

19 11709.2. Every dealer, *except a dealer that exclusively sells*
20 *recreational vehicles as defined in Section 18215.5 of the Health*
21 *and Safety Code*, shall conspicuously display a notice, not less than
22 8 inches high and 10 inches wide, in each sales office and sales
23 cubicle of a dealer's established place of business where written
24 terms of specific sale or lease transactions are discussed with
25 prospective purchasers or lessees, and in each room of a dealer's
26 established place of business where sale and lease contracts are
27 regularly executed, which states the following:

28
29 ~~"NO-COOLING-OFF~~ *COOLING OFF* PERIOD

30
31 California law does not provide for a ~~"cooling-off"~~ *"cooling*
32 *off"* or other cancellation period for sales of new vehicles.
33 Therefore, you cannot later cancel such a contract simply because
34 ~~you change your mind, decide the vehicle costs too much, or wish~~
35 ~~you had~~ *changed your mind, decided the vehicle cost too much, or*
36 *wished you had* acquired a different vehicle. After you sign a motor
37 vehicle purchase or lease contract, it may only be canceled with the
38 agreement of the seller or lessor or for legal cause, such as fraud."
39

1 SEC. 7. No reimbursement is required by this act pursuant to
2 Section 6 of Article XIII B of the California Constitution because
3 the only costs that may be incurred by a local agency or school
4 district will be incurred because this act creates a new crime or
5 infraction, eliminates a crime or infraction, or changes the penalty
6 for a crime or infraction, within the meaning of Section 17556 of
7 the Government Code, or changes the definition of a crime within
8 the meaning of Section 6 of Article XIII B of the California
9 Constitution.

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